



**Mid-Term Evaluation
of the
Alliance II Program in Ukraine**

FINAL REPORT

A. Evaluation Team

USAID/Washington

James May

Barry Burnett

USAID/Kiev

Tom Rader

Mark Smith

Ivan Shvets

Bohdan Chomiak

Submitted to USAID/Kiev October 19, 2001

TABLE OF CONTENTS

ACRONYMS.....	ii
EXECUTIVE SUMMARY.....	1
BACKGROUND AND PROGRAM DESCRIPTION.....	3
FINDINGS.....	4
Impact on Client Firms.....	4
Impact on Business Service Organizations.....	6
Implementation Modalities.....	8
Comparisons With Similar Volunteer Executive Programs in E&E.....	10
RECOMMENDATIONS.....	11
ANNEXES.....	14
Evaluation Methodology.....	14
List of Contacts.....	15

III. ACRONYMS

ACDI/VOCA Agricultural Cooperative Development International/Volunteers in
Overseas Cooperative Assistance

BIZPRO New USAID/Kiev SME development activity

BSI Business Support Institution

BSO Business Support Organization

B. CA Cooperative Agreement

CD Country Director

CDC Citizens Democracy Corps

COP Chief of Party

FLAG Firm Level Assistance Group (Bulgaria)

IESC International Executive Service Corps

MAP Marketing Assistance Program

MBAEC MBA Enterprise Corps

NewBizNet New Business Network

NGO Non-Governmental Organization

SME Small and Medium Enterprise

VE Volunteer Executive

I. Executive Summary

Under a three year Cooperative Agreement with USAID/Kiev (1999-2002), four U.S. volunteer executive (VE) non-governmental organizations – International Executive Service Corps (IESC), Citizens Democracy Corps (CDC), ACDI/VOCA, and MBA Enterprise Corps) – undertook a program of furnishing technical assistance to small and medium enterprises in Ukraine and Moldova. This followed an earlier effort (1996-1999) by the same consortium called the Alliance for Collaboration on Enterprise Development (“Alliance”). The follow-on program (“Alliance II”) was funded by a grant from USAID/Kiev of \$7,500,000. Alliance II employed an integrated strategy for promoting enterprise development which encompassed volunteer technical assistance, seminars and other training programs, client networking in Ukraine, Eastern Europe and, to a limited extent, in the U.S., and support for the development of business associations and business support organizations (BSOs).

This mid-term evaluation of Alliance II, conducted in August and September 2001, included interviews with Alliance headquarters’ staff, Mission and Alliance staff based throughout Ukraine, as well as over 30 client firms in or around the cities of Kiev, Lviv, Kharkiv and Odessa.

The principal findings of the evaluation are the following:

(1) Impact on Client Firms:

- All clients agreed that the VE experts with years of experience in a market environment are a very valuable resource not readily available from other sources in Ukraine.
- The principal firm-level constraints addressed by the VEs were lack of marketing know-how, general management weaknesses, inappropriate technologies, inefficient operations, and lack of financing.
- Most of the firms interviewed would be willing to pay a fee for such services, but could not have paid full cost.
- Not all the instances in which volunteers provide technical assistance realize their full potential impact.
- An important element increasing the success of these interventions is the devotion of the volunteer to helping his/her client.

(2) Impact on Business Service Organizations

- The Alliance experienced difficulty in identifying a sufficient number of BSOs that it considers strong enough to qualify for that portion of the program focused on support to BSOs;
- With few exceptions, such as the Lviv Consulting Group, most of these potential partners do not presently provide broad consulting services.
- VEs have worked with the BSOs and/or their clients; however, given their limited staff, many BSOs could not take full advantage of the opportunities offered by the Alliance.
- The BSO strengthening and partnering effort seems to be somewhat behind the originally envisioned schedule.

- The evaluation team was impressed by the efforts of the Alliance, particularly ACDI/VOCA, at encouraging the formation and development of associations in the food processing area.
- (3) Implementation Modalities
- The most apparent advantage of the Alliance arrangement is that it offered the services of four NGOs acting as one organization vis-à-vis USAID/Kiev.
 - The Alliance's strict allocation of resources to its member organizations and its practice of dividing up the country according to its own internal agreement did not allow for optimum use of resources or respond to the Mission's need for maximum flexibility.
 - Mission-wide funding delays in the program's second year should not impact on the results envisioned under the Cooperative Agreement.
 - The strategy of supporting and strengthening Ukrainian BSOs - through partnerships, training programs, and by training Alliance staff to ultimately convert to BSOs or join established BSOs - is expected to have mixed results: client firms of these BSOs will pay for the services rendered directly by the BSOs, but without a continuing subsidy from USAID, are not expected to pay for the full direct costs of the VE.

The recommendations stemming from the evaluation are as follows:

- (1) The Mission should make VEs available to assist Ukrainian firms beyond the end of Alliance II.
- (2) Such services should continue to be subsidized by USAID at some level.
- (3) Any future program providing the services of volunteer advisors should charge a fee beyond the present costs of providing housing, etc. The Alliance should use the remaining time in Alliance II to conduct testing of client ability to pay and investigate other methods which would promote program sustainability.
- (4) Any future program of this nature should associate the volunteer, to the extent practicable, with a Ukrainian business advisor who can receive on-the-job training through the work of the volunteer.
- (5) Every effort should be made to ensure that each volunteer can assist as many Ukrainian firms as possible; i.e., that "piggybacks" continue to be an important component of the assistance program. Increased promotion of the program would produce a larger pool of potential clients and allow more efficient use of volunteers.
- (6) Any follow-on program should ensure that firms are chosen only through the recommendations of highly qualified business service providers willing to provide a staff consultant to team up with the VE.
- (7) Any follow-on program should consider setting eligibility criteria for client firms that give priority to sector leaders and innovation leaders.
- (8) The Mission should consider new implementing mechanisms that would give it greater strategic flexibility and provide a higher degree of consolidated assistance to the SME sector.

- (9) The Mission should consider the benefits of integrating the valuable and needed VE assistance as a component within the BIZPRO program.
- (10) The BIZPRO staff should include one Ukrainian staff member devoted to ensuring the smooth functioning of the VE component, including the support system needed by American volunteers during their stay in Ukraine.

II. Background and Program Description

A. Background

In 1996, four U.S. volunteer executive (VE) organizations – IESC, CDC, ACDI/VOCA and MBAEC – established a consortium called the Alliance for Collaboration on Enterprise Development (Alliance). USAID/Kiev provided a \$10.8 million grant to the Alliance for the provision of technical assistance in the development of small and medium enterprises (SMEs), business support organizations (BSOs), and non-governmental organizations (NGOs). The program also provided technical support for other USAID programs being implemented by other contractors and grantees. Technical assistance was delivered through volunteer-based business consulting and training activities, at the enterprise level, transferring successful U.S. business experience and principles for conducting business in a market economy. In September 1999, prior to the completion of the Alliance I program, USAID/Kiev entered into a cooperative agreement with the Alliance for a follow-on program. Under this three year “Alliance II” program, USAID agreed to contribute \$7,500,000.

B. Program Description – Alliance II

Based on the experience derived from Alliance I, Alliance II was designed to provide a more integrated approach in supporting the development and growth of SMEs in Ukraine. The integrated strategy used a combination of Alliance services to promote enterprise development, including volunteer technical assistance, seminars and other training programs, client networking (both in Ukraine and abroad), and association building. Moreover, a unified system of client selection was adopted to help ensure maximum impact of any assistance provided to an enterprise. Monitoring results and establishing a client database were also important elements of the program. Although the original design envisioned a focus on key sectors, this element of the program was subsequently dropped since it was recognized that a small number of interventions spread across a number of “key sectors” would not significantly strengthen those sectors. Furthermore, Alliance II sought to promote sustainability at various levels, including enterprises, associations, and business support organizations. The program also continued to place priority on working with other USAID-funded programs in order to support USAID’s strategic objectives in Ukraine.

IV. Findings

C. Impact on Client Firms

The Alliance II program of technical assistance to SMEs has had a positive impact on the firms to which it has been extended. Different firms have, of course, benefited from various Alliance business services and experienced differing degrees of impact. Most client firms have received more than one service, and the type and number of services received generally also affect the results achieved by the client. By far the greatest impact is achieved from counseling provided by a VE. These consultations are delivered through both primary projects (2-4 weeks) and piggyback projects (up to one week) where the volunteer works directly with the firm's management to solve the problem(s) facing the firm. The exception to this is, of course, the MBA EC Corps Member who provides counseling over the entire year of his/her assignment. Other services that provide assistance to client firms are seminars/training programs and the various market development services. But it is above all the volunteer counseling that is unique to Alliance technical assistance. **All clients agreed that such services, providing experts with years of experience in a market economy environment, is not available from any other local source.**

Also important to the degree of success are the proper identification of the type of assistance required and the likelihood that the firm's management will implement the VE's recommendations. This is crucial to choosing a volunteer who will have the expertise sought, and required, by the client. The most impressive results are likely to occur in those firms with an innovative management and either the resources in hand or access to the resources needed to carry out the recommendations. Since VEs provide counseling on problems ranging from general management to marketing to production, the more specific and technical the problem to be solved, the more likely the impact will occur quickly. In terms of overall impact on the growth of the private sector, the larger the firm, the more likely that impact is to be large. There are, of course, exceptions to this rule.

In most clients visited by the evaluation team, the above conditions were met. **The constraints to growth of their firms that the VE could address were lack of marketing know how (a very high percentage of cases), general management matters, especially strategic business planning, questions concerning appropriate technology or use thereof, increasing efficiency of operations, and obtaining financing to implement new business strategies.** The lack of access to financing on reasonable terms, a widespread problem, could sometimes be solved with the assistance provided by the VE, but not always. In one firm, a VE helped the firm, a designer and manufacturer of labels, identify key equipment from the U.S., which will allow them to more than double their sales and add 15 employees. The VE helped them approach U.S. banks to seek financing (\$200,000) for the purchase, but U.S. banks considered Ukraine too

great a risk. The VE then helped them obtain a loan from a Ukrainian bank. In another case, a VE helped the client identify the equipment needed for a lens laboratory and even helped them obtain agreement from the producer to provide two-year payment terms. Unfortunately, U.S. banks would not support more than a one-year supplier credit and the deal fell through. Terms and conditions for a Ukrainian loan were too onerous for the firm. Nevertheless, the VE helped the firm locate cheaper sources of supply for frames and other supplies in the U.S., helped them in other aspects of their business, leading to a sales increase of 25% and employment growth of 20%. There are a number of other cases where the creation of new marketing departments, marketing plans and training of employees in marketing have led to significant increases in sales, sometimes doubling or more. Technical production advice has also been invaluable, leading to increased production efficiency, quality of product, or new production, and large consequent sales increases.

The value of a long-term advisor in the form of a MBA Corps Member can be illustrated in the case of a software developer. The long-term nature of the assignment permitted the volunteer to help the firm develop a strategy for expansion of its business, seek the necessary financing (from the WesNis Fund) and attract an additional foreign investor, leading to new investment, new markets and increased and more stable income. None of the assistance mentioned above could have come from Ukrainian consultants. **All those firms that have received Alliance technical assistance, especially from volunteers, recognize the high value of the assistance. Most would be willing to pay a fee for such assistance, but none that we met could have paid full cost for it.** Some stated that they would pay for such assistance now, but could not have at the time they received it.

Not all the instances in which volunteers provide technical assistance realize their full potential impact. Sometimes this is because of other factors beyond the control of the volunteer or the firm, such as unfavorable tax treatment or inability to access financing, but other times due to factors which might have been avoided. Full success requires both the understanding of the firm's management of what the volunteer can bring and its willingness to implement the recommendations. When one or both of these requirements are absent, only partial success may be achieved. In one case, a VE came to help a prosthetics manufacturer. While the firm valued the technical assistance, including training and access to free materials in the U.S., the project did not realize its full potential. Unfortunately, the manager never realized the full advantages to be gained from a change to newer technology which the VE (the actual inventor) could have provided.

An important element increasing the success of these interventions is the devotion of the volunteer to helping his client. Volunteers routinely continue to advise and assist the firm after their return to the U.S. This can take the form of using their contacts to find suppliers, customers, to do market research, or just

continuing to keep the advice flowing through e-mails. In addition, there are important personal friendships formed and services performed on behalf of others in the community where they have worked. For instance, one VE, a pollution control expert, visited a waste disposal plant to help the plant increase its efficiency and, additionally, helped his client firm devise automobile emission regulations subsequently adopted by the Ukrainian Government.

D. Impact on Business Service Organizations

One of the objectives of Alliance II has been “to select and cooperate with Business Support Organizations, including business consulting organizations, both for-profit and non-profit, ...with the aim of developing stimuli for private sector development. These activities will have two primary objectives: 1) to identify, select and assist BSOs that can provide business services to Alliance clients and new clients; 2) to leave behind personnel through which private sector volunteer services can be delivered should funding be available to support those assignments.”

This effort was to involve the Alliance in BSO staff training, training programs for Alliance staff members, selecting and working with potential successor BSOs, teaching them to use volunteers to complement the work they already do, and to introduce them to one another and encourage networking among them. The Alliance appears to have had difficulty in identifying a sufficient number of BSOs that it considers strong enough to qualify for this part of its program. Nevertheless, they have formed relationships with a number of BSOs, provided some training and cooperated with them in providing technical assistance to BSO clients. They have also provided consultant training to their own staffs. There has been a successful cooperation (a sub-contract) of IESC with Lviv Consulting Group, allowing the closing of IESC’s own office in Lviv. IESC’s cooperation with Meta Consulting in Lviv has not worked out and will not continue. ACIDI/VOCA has formed relationships with associations and with other local trainers to provide services to clients. Their own staff have become skilled trainers. CDC has identified one BSO in Sevastopol that will represent it in the Crimea and that it considers a likely leave behind: it has established good working relationships with several other BSOs that could eventually meet the requirements to become leave behinds.

However, with a few exceptions such as Lviv Consulting Group, most of these potential partners do not presently provide broad consulting services. Some are very specialized in legal consulting or accounting/auditing or marketing consulting and would need to broaden their services. Some assistance to allow this has been provided. **VEs have worked with the BSOs and/or their clients. However, due to their size and financial weakness, many of these cannot yet take full advantage of the opportunities offered by the Alliance.** They cannot afford to pair one of their own staff with the volunteer on a full-time basis. The Alliance’s efforts to provide their BSO partners and other BSOs with training in

the SCORE consulting methodology appear to be highly successful. Other instances may be less so. For instance, one BSO complained that a VE refused to work long hours. In reality, the VE was there to train the staff, but the firm would not provide the time for it. The same firm had failed to make proper use of a MBA Corps Member for training, instead just wanting him to augment their own staff and increase their earnings. That assignment was broken after three months. Nevertheless, there is a potential with this BSO that can only be realized if and when the BSO decides it really values the purpose behind this effort.

The BSO strengthening and partnering effort seems to be somewhat behind the originally envisioned schedule. However, its priority has slowly risen for the Alliance and the third-year Work Plan calls for 10% of all resources to be devoted to this effort. Much uncertainty still exists concerning the level of skills and services these firms can be expected to reach by the end of the program.

The evaluation team was impressed by the efforts of the Alliance, particularly ACDI/VOCA, at encouraging the formation and development of a number of associations in the food processing area. In a meeting with the President of the Association of Bakers and Confectioners in Lviv, it was made clear that the assistance received by the Alliance was pivotal to the Association's development. For example, VEs assisted in establishing contacts with associations of bakers in the U.S., offered insights into best practices for strengthening the association's structure and influence, and assisted association members to improve recipes, production processes, and production. The Association's President expects that the VE assistance will eventually have a positive impact on the financial condition of individual firms and the industry as a whole. The President further noted that her Association was charging monthly fees that varied in accordance with the size of the member firm. The Association has identified law firms and audit firms to assist the membership and is working with the National Technology University in developing bread products with higher nutritional value. Moreover, the Association is working with the State Standards Committee, which is developing new standards for food and other products, as well as the State Committee of Ukraine for Entrepreneurial and Regulatory Support. The President is planning to pressure both the local and national governments to waive or lower taxes on bread products and bakers so that such savings can be passed along to consumers. The President went on to assert, "There would be no association without Alliance assistance."

While in Lviv, the evaluators met with the President of the Beekeepers Association (not yet registered), who explained that VEs had encouraged the Association's formation and helped in identifying solutions to many problems. He was also grateful for an Alliance-sponsored leadership training seminar as well as assistance in attending an international conference on government regulations, where he successfully argued against a regulation prohibiting the transfer of a particular variety of bee across oblast lines (the regulation will not be implemented). The President envisions his Association, along with other

associations, playing an active role in overseeing how funds transferred from the national government are actually used by the Lviv Oblast. He would also like to see a Central European Council of Associations promoting trade throughout Central Europe. Other benefits envisioned by the President from establishing this association include the following: increased international exposure, improved methods for managing bee families, marketing assistance for member beekeepers, breed protection, training opportunities, the provision of veterinary medications, and increased sales of honey, wax, venom and other bee-related products.

ACDI/VOCA's promotional efforts vis-à-vis associations were also evident in discussions with specific firms. For example, during an interview with a local meat processing firm that had received assistance under the Alliance, it was noted that this firm was a member of the "initiative group" that established the Meat Processing Association in the Lviv Oblast. At a dairy processing firm, we were informed that they were a member of the Lviv Milk Association.

In Kharkiv, IESC has assisted members of the Association of Light Industry through seminars on such topics as new accounting standards, marketing and taxation. In discussions with a local leather goods manufacturer that had received IESC assistance, it was made clear that this progressive firm was considering the creation of a new association to share technical information, address common tax issues, and otherwise promote the common interests of member firms. Other promotional work by VEs was noted in connection with both tourism and construction, where association development had progressed nearly to the point of formal registration.

In Kharkiv, the Alliance cooperated with two other USAID-funded implementers (NewBizNet and Business Incubator Development) to target SME businesses in specific sectors for intensive assistance. The sectors under this Marketing Assistance Program (MAP) included meat products, milk products, fruits and vegetables, confectionery/baking, light industry, repair/construction, transport, tourism, and catering/services. The Alliance provided volunteers which assisted promising firms with various needs, including marketing, tourism development and preparation for study tours. Most of the firms visited during our survey of Alliance clients had received assistance under MAP. Many of these firms return from time-to-time to the Alliance Center in Kharkiv for consultation and advice. **The integrated nature of the USAID assistance effort under MAP is believed to have contributed to the program's success, and demonstrates the ability of the Alliance to cooperate closely with other USAID-funded implementers.**

E. Implementation Modalities

Alliance II, like Alliance I, is a consortium of four private voluntary organizations providing volunteer business consultants. The consortium is funded through a Cooperative Agreement signed with IESC. **The perceived advantage of this arrangement over four separate Cooperative Agreements is that the USAID**

Mission has only one organization with which it must deal. IESC supplied a Chief of Party (COP) and other central staff for the Alliance as a whole, separate from its own in-country infrastructure. The COP was responsible for all coordination of activities in country and reporting was unified. An Executive Committee was formed in Washington, consisting of a representative of each member and chaired by the IESC member. Thus, the COP reported to the Executive Committee and to USAID/Ukraine. Each Country Director (CD) reported to the COP and its own headquarters. The deliverables were determined by the Alliance but provided by the Members. Responsibilities were assigned on either a regional (IESC and CDC) or sectoral (ACDI/VOCA) basis. The exception was that MBA EC, as the provider of long-term volunteers only, operated countrywide.

The most apparent advantage of the Alliance arrangement is that it offered the services of four PVOs acting as one organization vis-à-vis the funding organization. This is certainly an administrative advantage for USAID. The question arises, naturally, as to what other advantages it might offer. Since each organization has its own in-country staff, the costs are higher than if only one organization were involved. This was especially true when each organization had an expatriate Country Director. One goal of the Alliance II was to move towards a leaner, less-costly in-country support structure. The Alliance pledged to move toward replacement of expat CDs with Ukrainian staff as quickly as practicable. Although not all members moved at the same pace, by spring of this year all CDs were Ukrainians. In addition, the Mission pushed the Alliance to replace its Deputy COP and COP with Ukrainians. Although the Alliance did reduce the expat staff to the COP, the Executive Committee expressed real reluctance to forego an expat COP. The reason they gave for this was their concern to guarantee that all of the Alliance's deliverables under the CA were met. With some reluctance the Board agreed to replace the expat COP by April 2002. However, due to the decision of the COP to take another job, they have already done this. They now express every confidence that their new Ukrainian COP, the former MBA EC CD, is fully capable of filling that position.

The four member organizations have also made progress in trimming their staffs. This is especially true with regard to satellite offices, where they either have or are turning to BSO partners to fill the role of their former staff. This trend will continue as the Alliance implements its exit strategy. The Alliance II program funding was designed by USAID/Kiev to encourage the above trend through a decreasing level of funding over the three years.

The Alliance promised certain deliverables and results within their program. The specifics have been agreed upon within the Annual Country Work Plans. Because of the impact of a Mission-wide delay in availability of funding, funding in the second year was delayed. The effect of this was to skew the delivery of volunteers to the latter part of year two. Nevertheless, through judicious planning and maximum effort on the part of the Mission to provide the incremental funding

as soon as possible once funds became available, the Alliance will meet 80% of its original targets, with the remaining 20% coming very early in the new program year. **Total targets under the CA should not be affected by this unfortunate if unavoidable delay.**

Alliance II provided, as stated above, for the Alliance to provide assistance to strengthen selected BSOs and their own staffs, which could become BSOs, so that at some time these organizations would be in a position properly to identify client firms for volunteer technical assistance and to support those volunteers. USAID would not provide funding for the BSO activities. The Alliance has provided and will continue to provide such support, but it appears to harbor doubts that the BSOs could reach such a point by the end of Alliance II. However, the BSOs they are considering as partners are now viable. **There might be some question if they are capable of providing all the services necessary to a successful volunteer technical assistance project. Some probably will reach that point, others certainly not.** ACDI/VOCA feels that its own staff will be able to turn itself into a successful BSO not dependent on USAID funding. Some parts of the other members may also take this route, while some staff may be dispersed among partner BSOs. Client firms would pay for the services rendered directly by these BSOs. **What could not be provided without a continuing subsidy from USAID would be the full direct costs of the volunteer.**

F. Comparisons With Similar Volunteer Executive Programs in E&E

FLAG/Bulgaria—This program was set up in 1997 as parallel Cooperative Agreements with six implementers and a contract with the seventh original member. All members were already implementing programs in Bulgaria. Funding was given to one CA implementer—the University of Delaware—to provide the secretariat for FLAG as a whole. There is an Executive Committee made up of one representative from each organization, with a rotating chairmanship. Reporting is consolidated and provided to USAID/Bulgaria as one report. Marketing of the services of FLAG has been done in common and FLAG has become a recognized name in the Bulgarian SME community. The program has evolved over time, and the Mission has not renewed the contract nor the CAs with CDC, Land o’Lakes, and MBA EC. Therefore, FLAG/Bulgaria now consists only of University of Delaware, IESC, and ACDI/VOCA. **The mechanism is more administratively intensive for the Mission than the Alliance. However, the Mission has also had more flexibility in resource allocation among the members.**

FLAG/Croatia—This program was set up as a Cooperative Agreement with the University of Delaware, which, in turn, has memoranda of understanding with the PVO members of FLAG (IESC, ACDI/VOCA, CDC, and MBA EC) to provide volunteers on a reimbursable basis as required. The activity was limited to war-torn sections of Croatia and therefore the demand for volunteers has largely been

for agribusiness specialists. **The only implementer the Mission deals with is the University of Delaware, which determines the use of volunteers.** The program was later expanded to Montenegro. For the Mission this arrangement is much simpler, since they have only one implementer with which to deal. The PVOs are less satisfied, since they do not know beforehand what the demand may be for their services, nor do they have a say in determining that demand.

Entrepreneurial Business Services/Russia—This program involved two CAs with PVOs to implement a program of technical assistance to SMEs involving close cooperation with and assistance to Russian BSOs. The EBS program specifically targeted Russian business support institutions (BSIs) as the new direct clients of the project with the SME clients to be served primarily by and through the Russian BSIs. In both the East and West regions an extensive pre-screening effort of BSIs provided ten Russian BSIs to be the local agents.

This new direction permitted the PVOs to decrease their local staff numbers and lowered operating costs, freeing up additional funds for program work with SME clients. The uneven capabilities of many of the chosen BSIs, however, still required the PVOs to inject considerable management and operations effort into selected BSIs. To address these needs, the project provided various types of management, marketing and finance training to the Russian BSIs to improve the selection of SME clients and to develop an appropriate program of technical assistance suitable to the client's expressed needs.

V. Recommendations

1. There is a real need for American business volunteers to share their experience with Ukrainian entrepreneurs to solve problems facing those entrepreneurs. No Ukrainian consultants appear capable of providing comparable assistance. Therefore, **we recommend that the Mission continue, to the extent its resources permit, to make such volunteers available to assist Ukrainian firms beyond the end of Alliance II.**
2. Because most Ukrainian firms still cannot afford to bear the full costs of these services, **we recommend that these services continue to be subsidized by USAID** at some level.
3. Ukrainian firms inexperienced in the use of outside advice are uncertain of the value of such and, therefore, do not know how much they should pay for the service. In many cases this leads them not to seek outside advisors when there is a cost associated with them. Others, even where they recognize the value, still could not pay the full cost of a volunteer advisor. Yet, it is essential that Ukrainian entrepreneurs become acquainted with the concept of "payment for value." Therefore, **we recommend that any future program providing the services of volunteer advisors should charge a fee beyond the present**

costs of providing housing, etc. The Alliance should use the remaining time in Alliance II to conduct testing of client ability to pay and investigate other methods which would promote program sustainability. The degree of subsidization could take into account such factors as the firm's size and/or profitability and whether it has already profited from receiving such assistance.

4. The client firm(s) will be the primary beneficiary of the technical assistance provided by the volunteer. However, it is important that his/her expertise benefit as many other Ukrainian firms as possible, even if indirectly. Therefore, **we recommend that any future program associate the volunteer, to the extent practicable, with a Ukrainian business advisor who can receive “on-the-job training” through the work of the volunteer.**
5. **We recommend that every effort be made to ensure that each volunteer can assist as many Ukrainian firms as possible; i.e., that “piggybacks” continue to be an important part of the assistance program.** Increased promotion of the program would produce a larger pool of potential clients and allow more efficient use of volunteers.
6. The effectiveness of the volunteer's counseling depends largely on the proper identification of the firm's needs and the preparation of the firm for receiving the consultant, as well as the proper implementation of the volunteer's recommendations. We therefore **recommend that any follow-on program ensure that all firms are chosen only through the recommendations of highly qualified business service providers prepared to participate in this manner.**
7. Volunteer technical assistance is most likely to have the greatest impact on the Ukrainian SME sector to the extent that the client firms are either already leading firms in their sector of business or highly innovative firms capable of becoming leaders as a result of the assistance. **We recommend that any follow-on program consider setting eligibility parameters for client firms that give priority to sector leaders and innovation leaders.** Another possible factor for prioritization is the specific industry or service sector in which the firm is engaged, if the Mission feels that the impact on the Ukrainian private sector could benefit from a concentration of assistance to such sectors.
8. Notwithstanding the important contributions made by the volunteer program to SME development in Ukraine, it is fair to question whether or not the Alliance structure is the most efficient for delivering the services that continue to be in demand, particularly the unique services provided by the volunteer executives. With Mission budgets declining in recent years and the clear need for consolidating program strategies and related implementation modalities, **we recommend that the Mission consider new implementation**

mechanisms that would give it greater strategic flexibility and provide a higher degree of consolidated assistance to the SME sector.

- 9. BIZPRO is already involved in a broad range of assistance activities aimed at promoting SME development, including support for both individual firms and business service providers. Given declining and uncertain budget levels, integrating VE services under BIZPRO would allow the Mission to better manage and direct resource flows for priority program objectives. With a view to minimizing management units, we recommend that the Mission consider the benefits of integrating the valuable and needed VE assistance as a component within the BIZPRO program.**
- 10. Should the Mission decide to follow this approach, we also recommend that the BIZPRO staff include one Ukrainian staff member devoted to ensuring the smooth functioning of the VE component, including the support system needed by American volunteers during their stay in Ukraine.**

VI. Annexes

A. Evaluation Methodology

USAID/Kiev requested assistance from the E&E Bureau's Office of Market Transition (E&E/MT) in carrying out a mid-term evaluation of the Alliance II program. The Mission developed a scope of work, including a list of suggested topics and related questions which were subsequently refined and agreed upon by the Mission and the MT-based evaluators.

The process followed in identifying the clients to be evaluated was as follows: the Mission's Activity Manager requested the Alliance Chief of Party (COP) to select clients from four regions – Kiev, Odessa, Lviv and Kharkiv. The clients were to be representative of (1) various sectors/sub-sectors and (2) levels of satisfaction with the services received. The COP also identified clients based on the range of services provided by the Alliance, since some clients received only the assistance of a VE while others received a broader array of assistance, including seminars, participation in trade fairs, East-to-East tours, and association development. Once the clients had been identified, the Mission's Activity Manager passed the list to the MT-based evaluators for their review and concurrence. The evaluators accepted the targeted clients as presented.

Prior to departing Washington, the evaluators interviewed the Executive Committee, which consists of senior executives in each of the four participating Alliance NGOs. The four members of the Executive Committee are responsible for managing the program. The evaluators interviewed the Executive Committee as a whole as well as individually, using a set of questions previously agreed upon with the Mission's Activity Manager. The evaluators asked additional questions as well. Finally, the evaluators interviewed two individuals that had previously served in the Mission's Private Sector Development Office and were familiar with the Alliance program.

In Ukraine, the MT-based evaluators conducted interviews with appropriate Mission and Alliance staff in Kiev, prior to conducting interviews in Lviv, Kharkiv, Odessa and Kiev with field-based Alliance staff and clients, including enterprises, associations, and business support organizations. The interviews in Lviv, Kharkiv and Odessa included discussions with clients outside those urban centers and utilized questionnaires previously agreed upon

with the Mission. Moreover, Mission-based staff accompanied the MT-based evaluators and actively participated in the evaluation effort in Lviv, Kharkiv and Odessa.

B. List of Contacts

1. Kay Maxwell, Vice President, Program Administration and Corporate Development, IESC, Stamford, Connecticut
2. Olena Czebiniak, Program Manager – Ukraine, IESC, Stamford, Connecticut
3. Michael Levett, President, CDC, Washington, D.C.
4. Jack Behrman, Chairman & CEO, MBA Enterprise Corps, Chapel Hill, NC
5. Christine Kiely, Executive Director, MBA Enterprise Corps, Washington, D.C.
6. Jeffrey Singer, Director, Europe and Asia Division, ACDI/VOCA, Washington, D.C.
7. Fred Smith, Vermont, ACDI/VOCA
8. Tatyana Mikhailova, Project Coordinator, Europe & Eurasia, Washington, D.C.
9. Steven Silcox, former Alliance II Activity Manager, USAID/Kiev
10. Stephen Hadley, former Director, Private Sector Development Office, USAID/Kiev
11. John Pennell, former Alliance II Activity Manager, USAID/Kiev
12. Tom Rader, Alliance II Activity Manager, USAID/Kiev
13. Gary Linden, Director, Private Sector Development Office, USAID/Kiev
14. Bohdan Chomiak, Agricultural Specialist, Private Sector Development Office, USAID/Kiev
15. Ivan Shvets, Project Specialist, Private Sector Development Office, USAID/Kiev
16. Elena Lopato, Program Management Assistance, Private Sector Development Office, USAID/Kiev
17. David Kerry, Alliance II Chief of Party, Kiev, Ukraine
18. Vladislav Trigub, Country Director, MBAEC/Alliance II Deputy COP, Kiev, Ukraine
19. Victor Shmatalo, Country Director, IESC, Kiev, Ukraine
20. Elena Amerova, Country Director, ACDI/VOCA, Kiev, Ukraine
21. Helena Belikbaeva, Program Manager, ACDI/VOCA, Kiev, Ukraine
22. Sergei Bystrin, Country Director, CDC, Odessa, Ukraine
23. Anna Vigurzhinskaya, Deputy Country Director, CDC, Odessa, Ukraine
24. Joe Welsh, BIZPRO COP, Kiev, Ukraine
25. Volodymyr Andreyev, Director, Center for Innovations Development, Kiev, Ukraine

26. Eugenia Severianina, Deputy Director, Center for Innovations Development, Kiev, Ukraine
27. Lyudmyla Kozhara, Deputy Director, Center for Innovations Development, Kiev, Ukraine
28. Konstantin Ivanov, Director, Chernigiv Business Center/President, Business Center Association
29. Natalie Kushko, Western Ukraine Project Manager, ACDI/VOCA, Lviv, Ukraine
30. Serhiy Kiral, Associate Development Program Manager, ACDI/VOCA, Lviv, Ukraine
31. Western Association of Beekeepers, Lviv, Ukraine
32. Halyna Dzyadyk, Director, Lviv Consulting Group, Lviv, Ukraine
33. Dmytro Symovonyk, Partner, Lviv Consulting Group, Lviv, Ukraine
34. Association of Bakers and Confectioners, Lviv, Ukraine
35. Nikolay Yakimenko, Regional Country Director, IESC, Kharkiv, Ukraine
36. Alexander Dudka, President, Regional Business Assistance Center, Kharkiv, Ukraine
37. Inna Gagauz, Director, Kharkiv Technologies, Kharkiv, Ukraine
38. Elena Reshetnyak, Director, NGO "Perspectives," Kharkiv, Ukraine
39. Vyacheslav Golovchenko, Director, Tetra, Nikolayev, Ukraine
40. Yelena Baryshnikova, Director, Leks Servis, Sevastopol, Ukraine
41. Natalia Pogozheva, Managing Partner, ProConsult, Kiev, Ukraine
42. Liliya Manko, Kivin, Kiev, Ukraine
43. Andriy Zagoronyuk, General Director, Helvex Group, Kiev, Ukraine
44. Client Firms/Associations in Lviv Region:
 - Ukrainian Glass Insulation Factory
 - SENSUS Company (chain of women's dress stores)
 - Veronika Bakery
 - Meriol Company (meat processing/confectionery)
 - Agro-Plus, Ltd. (fruit & vegetable cannery)
 - Galichina Dairy (milk processing plant)
45. Client Firms in Kharkiv Region
 - Delicat (sausage production)
 - APS Company (mushroom production)
 - Gammatech Company (gamma sterilization technology)
 - Kupyansk Garment Factory
 - LAUM (leather goods production)
 - SENSE Consulting (software for accounting/financial management)
46. Client Firms in Odessa Region
 - STPJ (private educational institution for television and press journalism)
 - Kutsarev Company
 - Aricol (distributor of cosmetics, personal care and household care products)
 - Allur (design and printing of labels)
 - Vector (restaurant business)

- Evromebel (furniture manufacturing)
47. Client Firms/BSOs in Kiev Region
- InterOko (eyewear distributor/retailer)
 - Orthotech Service (manufacturer/retailer of prosthetics)
 - Kvazar (telecommunications services)
 - Ukranalyt (manufacturing of gas analytical and environmental equipment)
 - ASD-Group (software design)